# Purchase Card Program
# Random Sampling Audit Procedures

## General

The Administrative Resource Center (ARC) will conduct reviews of each cardholder account annually. As stated in the service description of the customer agreements—*"The purchase…card program services will include: Conducting random sampling of card use to supplement the full review to be performed by the agencies approving officials and advising the customer agency's point of contact of instances of potential abuse."*

ARC's Government Purchase Card Procedures are located at:

- http://arc.publicdebt.treas.gov/DWP/fs/fscredcard.htm

During each audit, ARC will follow these procedures in determining what items/transactions are considered to be inappropriate (according to the "Prohibited Purchases" section of ARC's Government Purchase Card Procedures). Note that these procedures may be in addition to any applicable agency-specific regulations.

## Random Sampling Audit Process

The customer agency Program Coordinator and any backups at the customer agency will be notified around the beginning of each calendar year in which month their audit is scheduled to occur. This schedule is subject to change. The customer agency Program Coordinator and backups will be notified if a change in schedule affects their month of review.

In the first week of each month, ARC's Program Coordinator will request (according to the customer audit schedule) at a minimum the following items from each cardholder:

- Purchase Card Logs
- Receipts
- Any supporting documentation for selected transactions

ARC's Program Coordinator will send an email to each cardholder requesting the above documentation on their transactions selected for review. The customer agency Program Coordinator will be copied on each email sent out to their cardholders.

A random sample will be taken from the yearly transactions of each cardholder. The attached Cardholder Annual Review Checklist shows the main areas of review. The methodology for drawing the sample of transactions is detailed below in the section titled "Sampling Technique". ARC will strive to complete each customer's audit during the

**Updated May 11, 2006**

month in which it is scheduled and send results shortly thereafter.  Results will be sent following audit completion.

## Sampling Technique

A random sample will be drawn from the transactions of each cardholder.  This random sample will minimally be drawn to allow for a 90% confidence level and a 15%, 20%, and 25% error rate according to annual transaction counts of each cardholder.  The table below determines the number of transactions selected for review:

| Annual Transaction Count | Confidence Level--Error Rate |
| --- | --- |
| 0-250 | 90%--25% |
| 251-500 | 90%--20% |
| 501 and up | 90%--15% |

This sample technique allows for a more extensive audit to be performed on cardholder accounts more frequently used.  In certain cases, a more robust sample may be taken.  Additionally, the reviewer may examine any additional transactions at their own discretion as necessary.  Any cardholder accounts with transactions that have the appearance of a split transaction, recurring service exceeding $2500 for the year, or any visually suspicious merchant may require additional documentation from the cardholder.  These items will be documented in the final audit report.  Additional documentation may be requested at any time prior to the final audit report being sent.

The reviewer will use a computer program to determine how many transactions must be analyzed in order to generate the desired confidence level and error rate.  A list of random numbers will then be drawn using an acceptable statistical program.  Each random number will represent a transaction number for examination.

## Final Report

ARC's Program Coordinator will compose the final summary report.  Once the audit has been completed and the summary report written, the customer agency Program Coordinators will be notified by email.  The summary report will contain a brief summary of findings and details of each cardholder's transactions selected for review.

Recommendations will be provided for each transaction on how the customer agency Program Coordinator should proceed in rectifying and communicating any misuse/abuse issues with the cardholder.  If no action is necessary, the recommendation will be N/A.

As stated in the service description of the customer agreements, *"The purchase and fleet card program services include:  For improper card usage, revoking cards based on the severity of card misuse."*  Therefore, ARC's Bureau Chief Procurement Officer retains the right to revoke cards based on the severity and recurrence of misuse/abuse by a cardholder.  In the event this action is necessary, it will be communicated with the customer agency Program Coordinator prior to revoking the card.

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ARC encourages the Program Coordinator from each agency to submit responses on "Corrective Actions Taken" to complete the full audit report. When the final summary report is sent via email, a "respond by" date will be stated. If no response is received by that date, ARC will consider the audit finalized. It is ultimately the responsibility of the customer agency Program Coordinator to address any identified problems. As stated in the Procurement Services Description, ARC is not responsible for any waste, fraud, or abuse within our customer agency programs.

## Card Usage Report

During the annual audit, a card usage report will also be sent to the customer agency Program Coordinator identifying all cardholders, their spending limits, and the highest dollar amount each cardholder spent during the annual audit period. ARC will identify any accounts that appear to have higher single and monthly purchase limits than are necessary for that account and identify those limits in red.

It is the customer agency Program Coordinator's responsibility to review the report and identify all account limits that should be reduced. This report will also assist in identifying any accounts that should be closed due to inactivity. Reviewing this report and providing a response to ARC will mitigate potential risks within each agency's card program.

## CitiDirect Access

Along with the annual audit, a comparison between the CitiDirect user access and our internal records will be conducted. This will ensure our records match the current user access in CitiDirect. ARC will communicate with Citibank's CAS Manager to update any user access that needs implemented.